

OTHER REGULATIONS

The remaining reported application of regulations appears to involve only minor discrimination in the day-to-day exercise of administrative discretion or by other subtle means. In a number of countries the availability of central bank credit facilities to foreign bank branches has been limited from time to time more stringently than has been the case with local banks. The suggestion has been made that in at least one Latin American country foreign bank branches are expected to comply strictly with the letter of all banking regulations while local banks are allowed a degree of latitude in their compliance; and in one European country it has been suggested that banking controls are applied more liberally in the case of small banking institutions than in the case of larger banks (the complaint seeming to be that the larger banks, both foreign and local, have been discriminated against).

There is a final subtle method of discrimination employed in some countries. U.S. banks abroad must operate within the framework of the individual banking systems. The local banks, however, have effectively restricted operations of foreign banks in certain countries. One European country presents a classic example. Unless local bank cooperation can be attained, it is very difficult for foreign banks to operate within the country; for example, while foreign banks may engage in underwriting activities, they do so at the risk of incurring the enmity of local competitors with potentially adverse results.

CONCLUSIONS

Once a U.S. banking office is technically permitted to establish operations in a foreign country there are numerous ways in which their operations may still be limited. Chief among these are limitations on the acceptance of deposits. While a few countries actually confine overseas banking to merely agency operations (no acceptance of deposits) the more common restriction is upon the acceptance of savings deposits. Nevertheless, such restrictions on functions are comparatively rare. Still more rare are limitations on lending imposed by host countries.

American banking operations abroad are normally subject to the same banking regulations as the indigenous banks in a foreign country. Broadly speaking, American banks abroad must follow the same rules on reserve requirements, liquidity ratios, maximum interest rates, etc., as domestic banks. Occasionally, foreign countries deliberately discriminate against foreign banks in respect to these working rules, but more often the discrimination tends to be merely the uneven application of such rules to foreign and domestic banks though this in itself is rare.

The dominant picture of the way continuing regulations affect American banking abroad is that, while there are devices by which foreign countries impose handicaps on American banks, American banking does manage to operate even under these limitations.